

RESOLUTION NO. 3684

A RESOLUTION ADOPTING A POLICY REGARDING UNAPPROPRIATED ENDING
FUND BALANCES, CONTINGENCIES AND FINANCIAL RESERVES POLICY AND
RESCINDING RESOLUTION NO. 3534 IN ITS ENTIRETY

WHEREAS, Resolution No. 3534 set forth the financial policy for city funds and such Policy required the City Council no later than January 2014 to direct staff to perform a complete review of the Policy and present such findings at the first meeting of the Budget Committee for the FY 2014-15 budget; and

WHEREAS, the City Council directed staff at its meeting on January 21, 2014 to do a complete review of all of the City's funds and to present such findings at the first meeting of the FY 2014-15 Budget Committee; and

WHEREAS, such review was performed and a complete rewrite of the financial policy was presented to the Budget Committee; and

WHEREAS, the Budget Committee unanimously approved the draft Financial Policy with specific amendments to the General Fund UEFB and contingency; and

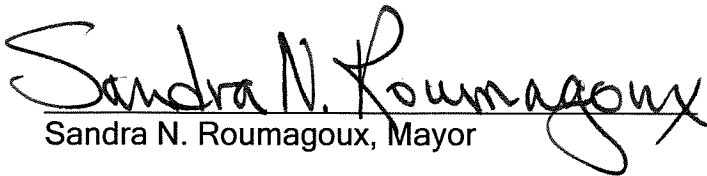
WHEREAS, such amendments are incorporated in the Financial Policy and such amended Financial Policy is attached as Exhibit A and incorporated herewith; and

WHEREAS, the financial policies set forth in Resolution No. 3534 have been completely rewritten and, therefore, have no further effect.

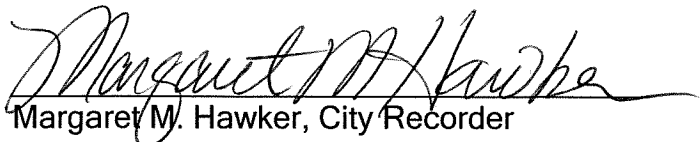
THE CITY OF NEWPORT RESOLVES AS FOLLOWS: The attached Financial Policy (Exhibit A) is hereby adopted and Resolution No. 3534 is hereby rescinded in its entirety.

This resolution will become effective immediately upon passage.

Adopted by the Newport City Council on July 7, 2014.


Sandra N. Roumagoux, Mayor

ATTEST:


Margaret M. Hawker, City Recorder

FINANCIAL POLICY

City of Newport Fund Balance, Contingencies & Reserves Policy

1.0 -- PURPOSE:

The purpose of this policy is to provide guidance to the city administration, Budget Committee, and City Council regarding the maintenance of unappropriated ending fund balances, contingencies and reserves for the various operating funds. This policy is intended to identify desired levels to protect the city's credit as well as its financial position in the event of unanticipated emergencies.

2.0 -- DEFINITIONS

2.1 -- Unappropriated Ending Fund Balance (UEFB)

Unappropriated Ending Fund Balance (UEFB) represents the remaining unappropriated funds after any expenses and transfers from that fund are deducted from the total of the beginning fund balance, fund revenues and transfers by that fund from other funds within a fiscal year. Please note of that a portion of the UEFB may be restricted for specific uses within that fund. The UEFB cannot be appropriated in a subsequent budget amendment unless an emergency situation is declared by the City Council requiring appropriation of this funding.

2.2 - Contingencies

Contingencies are indicated in various funds to meet emergency or unforeseen expenditures that occur during the fiscal year. Contingencies cannot be used unless appropriated by the Council as part of a subsequent budget amendment. The use of contingencies should occur only after evaluating the re-appropriation of funding of other activities within that same fund.

2.3 - Reserves

Reserves are created to establish funding over several fiscal years to facilitate the purchases of equipment or for capital outlay purposes. Reserves will be established as part of the budget adoption process with funds being placed in a separate reserve fund. Those funds will be designated for specific uses. Any funds used from the reserves must be appropriated as part of the budget process or a subsequent budget amendment.

3.0 - FUNDING LEVELS FOR UEFB & CONTINGENCIES

3.1 - Calculation of Funding Levels

The funding levels for the UEFB and contingencies are calculated as a percentage of the operating expenditures, including debt payments, and any transfers for operating purposes for other funds, but shall exclude expenditures for capital outlay and equipment and any transfers to other funds for these purposes as well. Furthermore, fund contingencies shall not be included in the calculation of any UEFB. Any reserved or restricted fund balances shall be included in the fund balance calculation if those funds are not to be utilized during that fiscal year and provided that the portion of the reserved

or restricted fund balance does not exceed 25% of UEFB. In the event that the restricted fund balance exceeds 25% of UEFB then only that amount 25% or less shall be calculated in determining the fund balance targets.

3.2 - UEFB & Contingency Levels

The funding targets of the UEFB and contingencies in the city's operating funds shall be as follows:

	<u>UEFB</u>		<u>Recommended Contingencies</u>
	<u>High</u>	<u>Low</u>	
General Fund	18%	13%	4%
Self-Supporting Funds (1)	20%	8%	10%
Funds Supported by Transfers (2)	20%	0%	10%
Development Funds (3)	0%	0%	100% (3)
Debt Retirement Funds (4)	As required by bond issue		

- (1) Self-Supporting Funds - Street, Water, Wastewater, Room Tax Fund, & Building Inspection Fund
- (2) Funds Supported by Transfers - Public Works Fund, Parks & Recreation & Airport
- (3) Development Funds - Line Underground, SDC, Public Parking, Agate Beach, Housing, Capital Projects, Proprietary Capital Projects and Reserve. The remaining fund balance (beginning fund balances and revenues less expenditures) shall be held as contingency. Reserve Funds are subject to local budget law.
- (4) Debt Retirement Funds - Bonded Debt, Proprietary Debt and General Debt

4.0 - TARGETED FUND BALANCE GOALS

4.1 - UEFB Falls Below Targeted Goals

In the event that the UEFB falls below the designated range for that type of fund, the city administration shall develop a proposed plan to bring the UEFB back to the appropriate range for consideration and approval by the City Council within six (6) months after this discovery.

4.2 - UEFB Exceeds Targeted Range

In the event that the UEFB falls above the designated range for any funds, the city administration shall develop a plan to bring the UEFB within the targeted limits through a one-time capital expenditure, commitment of funds to reserves, or other fiscally responsible actions for that fiscal year. In subsequent fiscal year, the funding requirements and or expenses for that fund should be evaluated to determine whether revenues can be reduced, services increased, or other actions taken to address subsequent fund balance issues.

4.3 - Implementation

The City of Newport fund balance, contingencies and reserves policy shall be effective for the fiscal year beginning July 1, 2015, and ending June 30, 2016, and thereafter. The funding levels will be reviewed as part of the preparation of the 2015-16 budget and reviewed every three years thereafter by the Budget Committee and City Council.